

Response to Central Bank of Ireland's Consultation on the Review of the Corporate Governance Code for Credit Institutions and Insurance Undertakings (CP69)

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Introduction

My response to the consultation document is based on my experience as an Independent Non-Executive Director of five (now four) insurance/ reinsurance undertakings over the last five years, and as a consulting actuary and Appointed Actuary for more than a dozen life assurance companies in the previous 15 years.

Currently, I am the Independent Chairman of Company A and I chair its Risk Committee. I also chair the Risk Committee of Company B and I serve on its Audit, Compensation and Investment Committees. For companies C and D, I chair their Audit Committees and serve on their Risk Committees. Companies A and B have both opted for Internal Models under Solvency II, whilst companies C and D are Standard Model companies. None of them is rated as High Impact.

As requested, the comments below are grouped in order of the headings in the consultation document.

7 COMPOSITION OF THE BOARD.

Directorships limits

The Central Bank invites comments on how the requirement that the number of directorships of credit institutions and insurance undertakings held by a director shall not exceed five has operated. I was at the upper limit stipulated under the current Corporate Governance Code for most of the last five years. During that period I also served on the Professional Affairs Committee of the Society of Actuaries in Ireland, on the Taoiseach's IFSC Insurance Group and its Solvency II Subgroup (which I also chaired for a number of years). I was Chairman of the Trustees of a Defined Benefit pension scheme and completed an honours BA degree with the Open University. I did not feel particularly stretched.

I recognise that other factors must be taken into account when assessing one's ability to take on more than five directorships. I had to consider the risk that one or more of the companies of which I was a director might have experienced financial difficulties, which would have necessitated a heavier time commitment on my part. I hasten to add that none of them did get into difficulties during that period. In that hypothetical scenario, I could have scaled back my other activities, such as my membership of the IFSC Insurance Group and its Solvency II Group, my involvement with the Society of Actuaries, or my studies.

In summary, I do not agree with the proposal to place an explicit limit on the number of directorships an individual can hold. The decision on what is a reasonable limit should be left to the individual director in the first place. Then, in 1-1 meetings with prospective directors before

their appointment, in its regular meetings with them, and otherwise as it deems fit, the Central Bank can challenge them on their ability to discharge their responsibilities to the different companies of which they are directors. The Central Bank may decide to reject an application if it is not satisfied with the individual's responses to the challenge.

8 CHIARMAN

Prohibition on CEO holding the position of Chairman of a subsidiary

I welcome the proposal in 8.11 to allow the Chairman of a credit institution or insurance undertaking or reinsurance undertaking which is not designated as High Impact to hold the same role in another Group company. I was disappointed however not to see this relaxation extended to CEOs.

I am privileged to serve on the Board of a subsidiary of a major international reinsurance company, which is chaired by the Group Chief Executive. His attendance at Board meetings is valued highly by me and my fellow Independent Non-executive Director. His deep knowledge and understanding of the industry and of the risks it faces brings an extra dimension to our discussions. I believe that the insurance supervision team shares that view.

Based on my reading of the proposals in the consultation document, he would no longer be allowed to serve as Chairman of this company. That, in my opinion, would be wrong.

9 CEO

Prohibition on CEO serving as CEO of more than one High Impact or Medium-High Impact institution

In my experience, the prohibition on a CEO from holding more than one CEO position in High-Impact or Medium-High Impact institutions is inappropriate where there is a proposal to the Central Bank and to the High Court to merge two institutions. In such circumstances, it is illogical and contrary to good corporate governance to prevent the CEO discharging this role for the two institutions.